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**FISCAL IMPACT STATEMENT**

**LS 6312**

**BILL NUMBER:** SB 176

**NOTE PREPARED:** Dec 11, 2012

**BILL AMENDED:**

**SUBJECT:** State Contractor Accountability.

**FIRST AUTHOR:** Sen. Arnold

**BILL STATUS:** As Introduced

**FIRST SPONSOR:**

**FUNDS AFFECTED:** X GENERAL  
X DEDICATED  
FEDERAL

**IMPACT:** State & Local

**Summary of Legislation:** *Contractor Registration:* The bill provides that persons who have contracts with state government or who bid on contracts with state government and certain persons affiliated with the contractors and bidders may not make political contributions to an individual who holds a state office or is a candidate for a state office.

It requires persons who have contracts with state government or who bid on contracts with state government to register with the Indiana Department of Administration (IDOA). It also requires the IDOA to make the information provided by registrants available to the agency maintaining the Indiana Transparency Portal in a searchable database on the state's Internet website.

The bill requires registrants to notify their affiliated persons that they are registered.

*Civil Penalties:* The bill provides that, for the violation of a requirement or prohibition, a bidder may be found nonresponsible and the contract of a contractor may be voided.

*Soliciting Political Contributions:* It provides that state employees in the executive branch who have purchasing or procurement authority may not solicit political contributions unless the soliciting individual is a candidate for public office.

**Effective Date:** July 1, 2013.

**Summary of NET State Impact:** The bill could potentially increase costs for rebidding contracts in certain circumstances and for developing an electronic registration system and searchable electronic database relating to persons who have contracts or bid on contracts with the state. While some of these cost increases are dependant on the actions of persons bidding on or receiving state contracts, the primary cost, potentially as much as \$85,000, would be a one-time expenditure to create the electronic database.

As well, the bill could potentially increase revenue from civil or criminal penalties. Any criminal or civil penalty revenue would depend on the actions of persons bidding on or receiving state contracts, or the actions of a state employees in soliciting political contributions.

**Explanation of State Expenditures:** *State Contractor Registration:* The bill requires persons bidding and receiving state contracts to register, and the IDOA to create a searchable database of the registrations available on the Indiana Transparency Portal. As a point of reference, the IDOA currently has a searchable database for state contracts, and the initial cost of this database was approximately \$85,000.

*Civil Penalties:* If a contractor knowingly or intentionally fails to register or fails to disclose material information and the original contract is voided, either by decision of the contract officer or by operation of law for persons with multiple violations, the IDOA may have to rebid the contract. A contract may also be voided by the State Ethics Commission if an employee of an appointing authority or a state employee who has purchasing or procurement authority solicits a political contribution from a prohibited person. Costs for rebidding will vary based on the features of the contract.

**Explanation of State Revenues:** *Civil Penalties - Soliciting Contributions from Prohibited Persons:* The State Ethics Commission may impose a civil penalty on an appointing authority or state employee who violates the prohibition on soliciting a political contribution from registrants or affiliated persons of a registrant. The civil penalty may not exceed three times the value of any benefit received from the violation.

*Civil Penalties - Contributions from Prohibited Persons:* The Campaign Finance Enforcement Account may receive deposits if a candidate or candidate's committee receives a contribution from a prohibited person. The amount of money transferred to the Election Division by a candidate or candidate's committee is equal to the value of the contribution from a registrant or an affiliated person of a registrant.

*Criminal Penalty:* There are no data available to indicate how many more offenders may be convicted of a Class B misdemeanor for failing to file a report with the proper office as required by state campaign statutes if additional filing requirements are added by the bill.

If additional court cases occur and fines are collected, revenue to both the Common School Fund (from fines) and the state General Fund (from court fees) would increase. The maximum fine for a Class B misdemeanor is \$1,000.

**Explanation of Local Expenditures:** *Criminal Penalty:* A Class B misdemeanor is punishable by up to 180 days in jail.

**Explanation of Local Revenues:** *Criminal Penalty:* If additional court actions occur and a guilty verdict is entered, local governments would receive revenue from court fees. However, any change in revenue would likely be small.

**State Agencies Affected:** IDOA; Office of Technology.

**Local Agencies Affected:** Trial courts; local law enforcement agencies.

**Information Sources:** IDOA.

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